

Message Text

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ACTION OPIC-06

INFO OCT-01 ARA-10 ISO-00 AID-05 EB-07 L-03 /032 W

----- 070178

P R 112050Z MAY 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC PRIORITY 5576

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 4151

E.O. 11652: N/A

TAGS: EINV BR

SUBJECT: OPIC: POLITICAL RISK CONVERTIBILITY INSURANCE

REFS: A. STATE A-1424, MARCH 10, 1976; B. 75 BRASILIA 8185

SUMMARY:

THERE HAVE BEEN NO REPEAT NO DELAYS IN CURRENCY TRANSFER ONCE A FOREIGN INVESTOR HAS SUBMITTED THE SUPPORTING DOCUMENTS TO THE CENTRAL BANK FOR HIS REMITTANCE OF PROFITS, INTERESTS, ROYALTIES, ETC. THIS MESSAGE EXPLAINS THE CURRENT PROCEDURES FOR FOREIGN CURRENCY TRANSFERS. THE CURRENT LIBERAL SITUATION MAY CHANGE, HOWEVER, IF BRAZIL'S BALANCE OF PAYMENT CONTINUES TO DETERIORATE. END OF SUMMARY

1. BRAZIL'S FOREIGN EXCHANGE MARKET IS THEORETICALLY FREE ALTHOUGH THE RANGE OF THE BUYING AND SELLING RATES ARE ESTABLISHED BY THE CENTRAL BANK. BANKS AUTHORIZED TO OPERATE IN FOREIGN EXCHANGE FREELY BUY AND SELL FOREIGN CURRENCY WITHIN THESE RATES. AT THE END OF EACH DAY, THEY CAN RETAIN A BUYING POSITION OF UP TO TWENTY FIVE THOUSAND DOLLARS AND A SELLING POSITION OF UP TO FIVE HUNDRED THOUSAND DOLLARS (OR THEIR EQUIVALENT IN OTHER CURRENCIES). ANY AMOUNT EXCEEDING THE FOREGOING LIMITS MUST BE REPASSED TO THE CENTRAL BANK. FOREIGN EXCHANGE HAS USUALLY BEEN AVAILABLE TO BUYERS, WITH THE CENTRAL BANK SUPPLYING COVER TO THE BANKS IN CASES OF SUPPLY SHORTAGES FROM PRIVATE SOURCES.

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2. BASED ON THE FOREGOING, FOREIGN INVESTORS WISHING TO REMIT PROFITS, DIVIDENDS, ETC. MAY CONVERT LOCAL CURRENCY INTO FOREIGN EXCHANGE BY CONTRACTING THE PURCHASE OF THE LATTER WITH A COMMERCIAL BANK. THIS OPERATION IS DONE THROUGH A FOREIGN EXCHANGE BROKER WHO WOULD INDICATE TO THE FOREIGN INVESTOR THOSE BANKS WHICH HAVE FOREIGN EXCHANGE COVER AVAILABLE ON THAT DAY, AS WELL AS THE FOREIGN EXCHANGE CONVERTIBILITY RATES REQUESTED BY EACH BANK. THE FOREIGN INVESTOR HAS TO SUBMIT TO THE BANK ALL DOCUMENTS WHICH ORIGINATED THE REMITTANCE, FOR EXAMPLE, FOR A REMITTANCE OF DIVIDENDS ON INVESTED CAPITAL, THE INVESTOR HAS TO SUBMIT THE CERTIFICATE OF REGISTRATION OF HIS CAPITAL WITH THE CENTRAL BANK, A COPY OF THE MINUTES OF THE SHAREHOLDERS' MEETING WHICH DECIDED THE PROFIT REMITTANCE, ETC. THE CENTRAL BANK INSPECTOR ASSIGNED TO REVIEW DAILY THE BANK'S FOREIGN EXCHANGE OPERATIONS EXAMINES THESE DOCUMENTS AND APPROVES (OR NOT) THE ACTUAL ISSUANCE OF THE PAYMENT ORDER IN FOREIGN CURRENCY. THE OPERATION IS ALSO SUBJECT TO SUBSEQUENT EXAMINATION BY CENTRAL BANK AUTHORITIES, AS WELL AS TO PERTINENT INCOME TAX REGULATIONS.

3. ON BASIS OF THE FOREGOING ANALYSIS, WE CONCLUDE THAT THERE HAS BEEN NO REPEAT NO DELAY IN CURRENCY TRANSFER TO DATE. DIFFICULTIES AND PROBLEMS DISCUSSED IN REFERENCE B RELATE TO THE APPROVAL/REGISTRATION STAGE OF FOREIGN INVESTMENT, REINVESTMENT, LOANS, ROYALTIES, ETC.

4. THE CURRENT LIBERAL GOB ATTITUDE MAY CHANGE, HOWEVER, IF BRAZIL'S BALANCE OF PAYMENT WORSENS, AND GOB IS OBLIGED TO CONSIDER SOME FORM OF RESTRICTIONS ON FOREIGN EXCHANGE OPERATIONS, SPECIALLY ON PROFIT REMITTANCE. AS OUTLINED IN PARAGRAPH 7 OF BRASILIA 8185 OF 9/19/76, THERE EXISTS LEGAL BASIS FOR SUCH A GOB ACTION.

5. THIS MESSAGE PREPARED BY CONGEN RIO; CONGEN SAO PAULO CONCURRED; EMBASSY CLEARED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, INVESTMENT GUARANTEES, FOREIGN INVESTMENTS, FOREIGN EXCHANGE
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BRASIL04151
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760182-0092
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760569/aaaachgf.tel
Line Count: 107
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OPIC
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 STATE A-1424, 76 BRASILIA 8185
Review Action: RELEASED, APPROVED
Review Authority: ullricre
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUL 2004 by wolfsd>; APPROVED <09 SEP 2004 by ullricre>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPIC: POLITICAL RISK CONVERTIBILITY INSURANCE
TAGS: EINV, EFIN, BR, OPIC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006